

# Sewerage District No. 1 of Tangipahoa Parish

## Annual Financial Statements

As of and for the Year Then Ended December 31, 2009  
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/21/10

**Sewerage District No. 1 of Tangipahoa Parish**  
**Annual Financial Statements**  
**As of and for the Year Ended December 31, 2009**  
**With Supplemental Information Schedules**

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### Independent Auditor's Report

To Board of Commissioners  
Sewerage District No. 1 of Tangipahoa Parish  
Tangipahoa Parish Council  
Hammond, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Sewerage District No. 1 of Tangipahoa Parish as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Sewerage District No. 1 of Tangipahoa Parish's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sewerage District No. 1 of Tangipahoa Parish, as of December 31, 2009, and the respective changes in the financial position and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2009 on our consideration of the Sewerage District No. 1 of Tangipahoa Parish's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Commissioners  
Sewerage District No. 1 of Tangipahoa Parish  
Tangipahoa Parish Council  
Hammond, Louisiana  
Page 2

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Bruce Harrell & Co.".

Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

May 19, 2010

## Management's Discussion and Analysis

**Sewerage District No. 1 of Tangipahoa Parish**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended December 31, 2009**

**Introduction**

The Sewerage District No. 1 of Tangipahoa Parish (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements and the accompanying financial statement footnotes.

**Financial Highlights**

- At December 31, 2009, total assets were \$7,051,316, and exceeded liabilities in the amount of \$5,370,594 (i.e., net assets). Of the total net assets, \$739,727 was unrestricted and available to support short-term operations, with \$4,516,620 invested in capital assets, net of related debt, and the balance of \$114,247 restricted for capital projects and debt service. Total net assets increased \$1,025,481, reflecting continuity in operations and the recording of \$972,000 in sewerage systems donated to the District for continued maintenance and operation.
- For the year ended December 31, 2009, user fee revenues increased \$92,764 (approximately 8%) to \$1,241,684 as compared to \$1,148,920 for the fiscal year ending December 31, 2008.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations, other than non-recurring expenses, depreciation expense, and interest expense, increased by \$7,862 or less than one percent. The major components of the change were stable salaries and wages increasing two percent or \$3,390, engineering fees and required testing of sewerage systems increasing by \$41,824 (61%) reflecting engineering review required for existing and donated systems and increased costs for environmental testing, and lift station and plant maintenance expenses decreasing \$78,324 or 23 percent.
- Total long term debt increased by \$2,090 reflecting the addition of \$48,293 for capital lease purchase of a Kubota Excavator less principal payments on bonds and capital lease of \$46,203, resulting in total long-term debt at December 31, 2009 of \$1,648,563.

## **Sewerage District No. 1 of Tangipahoa Parish**

### **Management's Discussion and Analysis As of and for the Year Ended December 31, 2009**

#### **Overview of the Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Sewerage District No. 1 of Tangipahoa Parish's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of the District, and schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure.

#### **Financial Analysis**

The purpose of financial analysis is to help determine whether Sewerage District No. 1 of Tangipahoa Parish is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.



**Sewerage District No. 1 of Tangipahoa Parish**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2009**

**Condensed Balance Sheet  
2009 and 2008**

	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Assets:</b>				
Current and Other Assets	\$ 886,133	\$ 771,632	\$ 114,501	15%
Capital Assets	6,165,183	5,268,946	896,237	17%
<b>Total Assets</b>	<u>7,051,316</u>	<u>6,040,578</u>	<u>1,010,738</u>	17%
<b>Liabilities:</b>				
Long-Term Debt Outstanding	1,648,563	1,646,473	2,090	0%
Other Liabilities	32,159	48,992	(16,833)	-34%
<b>Total Liabilities</b>	<u>1,680,722</u>	<u>1,695,465</u>	<u>(14,743)</u>	-1%
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	4,516,620	3,622,473	894,147	25%
Restricted for Capital Activity and Debt Service	114,247	101,190	13,057	13%
Unrestricted	739,727	621,450	118,277	19%
<b>Total Net Assets</b>	<u>\$ 5,370,594</u>	<u>\$ 4,345,113</u>	<u>\$ 1,025,481</u>	24%

Current and Other Assets include current assets for operations, restricted assets, and other assets. The increase in this category consists primarily of an increase in restricted cash reserves for deposits that were made in accordance with requirements of bond debt agreements.

Capital Assets increased by \$896,237 net of accumulated depreciation, mainly as a result of capital contributions of \$972,000 in donated sewer systems recorded during the year. Additional detail for capital asset additions and deletions is included within this *Management's Discussion and Analysis* in the section entitled "Capital Assets".

Long-term debt increased by \$2,090 at December 31, 2009, to \$1,648,563, reflecting debt reduction payments for the fiscal year of \$46,203 and the addition of a capital lease for \$48,293.

Total net assets (total assets less total liabilities) increased by \$1,025,481 for the fiscal year ending December 31, 2009. The increase was \$894,147 for net assets invested in capital assets, net of related debt primarily due to the increases noted above for Capital Assets.

**Sewerage District No. 1 of Tangipahoa Parish**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2009**

**Condensed Statement of Revenues, Expenses and Changes in Net Assets  
2009 and 2008**

	<u>Year ended December 31, 2009</u>	<u>Year ended December 31, 2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Revenues:</b>				
Operating Revenues	\$ 1,302,056	\$ 1,308,720	\$ (6,664)	-1%
Nonoperating Revenues	7,220	6,890	330	5%
<b>Total Revenues</b>	<u>1,309,276</u>	<u>1,315,610</u>	<u>(6,334)</u>	-1%
<b>Expenses:</b>				
Depreciation Expense	239,177	230,733	8,444	4%
Other Operating Expense	938,271	930,409	7,862	1%
Nonoperating Expense	78,347	89,782	(11,435)	-13%
<b>Total Expenses</b>	<u>1,255,795</u>	<u>1,250,924</u>	<u>4,871</u>	0%
Income (Loss) Before Contributions	53,481	64,686	(11,205)	-17%
Capital Contributions	972,000	400,010	571,990	143%
<b>Changes in Net Assets</b>	<u>1,025,481</u>	<u>464,696</u>	<u>560,785</u>	121%
Total Net Assets, Beginning	4,345,113	3,880,417	464,696	12%
<b>Total Net Assets, Ending</b>	<u>\$ 5,370,594</u>	<u>\$ 4,345,113</u>	<u>\$ 1,025,481</u>	24%

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table shows an increase in net assets of \$1,025,481 for the fiscal year ending December 31, 2009 as does the Condensed Balance Sheet on the prior page.

The District's total revenues decreased \$6,334 due primarily to a increase in sewer service capacity assessment fees from the prior year.

The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations, other than non-recurring expenses, depreciation expense, and interest expense, decreased by \$7,862 as compared to the prior fiscal year, totaling \$938,271 for the fiscal year ending December 31, 2009. The major component of the decrease was a \$78,324 decrease in lift station and plant maintenance.

As noted, the District showed an increase of \$1,025,481 in Ending Net Assets, primarily because of the capital contributions of new and existing sewerage systems donated to the District for continued maintenance.

## Sewerage District No. 1 of Tangipahoa Parish

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2009

#### Budgetary Highlights

Sewerage District No. 1 of Tangipahoa Parish adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

#### Budget vs. Actual - Fiscal Year ended December 31, 2009

	Budget Year ended December 31, 2009	Actual Year ended December 31, 2009	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 1,176,432	\$ 1,302,056	\$ 125,624
Nonoperating Revenues	20,000	7,220	(12,780)
Total Revenues	<u>1,196,432</u>	<u>1,309,276</u>	<u>112,844</u>
Expenses:			
Depreciation Expense	197,500	239,177	(41,677)
Other Operating Expense	919,925	938,271	(18,346)
Nonoperating Expense	78,750	78,347	403
Total Expenses	<u>1,196,175</u>	<u>1,255,795</u>	<u>(59,620)</u>
Income (Loss) before Capital Contributions	<u>\$ 257</u>	<u>\$ 53,481</u>	<u>\$ 53,224</u>

- Actual revenues for the fiscal year ended December 31, 2009 showed an increase of \$112,844 over final budgeted revenues. The greatest difference coming from an increase of \$230,252 in the amount of budgeted sewer service charges collected over what was budgeted.
- Actual expenses, including depreciation, showed an unfavorable variance to the final budget in the amount of \$59,620. The unfavorable variance occurred primarily due to \$41,677 in depreciation expense being under budgeted due to capital contributions being added and engineering and surveyor fees were under budgeted by \$30,675.

**Sewerage District No. 1 of Tangipahoa Parish**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2009**

**Other Significant Trends and Account Changes**

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

**General Operating Data**

	<u>December 31, 2009</u>	<u>December 31, 2008</u>	<u>Increase (Decrease)</u>
Customers			
Residential	2,384	2,341	43
Commercial	38	39	(1)
Total Customers	<u>2,422</u>	<u>2,380</u>	<u>42</u>

One key measure of the District's profitability, and the ability to generate positive cash flows, is the ability of the sewer system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2009 and 2008.

	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2008</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 94,740	\$ 95,400	\$ (660)
31-60 Days Past Due	5,893	5,880	13
61-90 Days Past Due	2,321	2,316	5
Over 90 Days Past Due	9,920	9,059	861
Subtotal	<u>112,874</u>	<u>112,655</u>	<u>219</u>
Allowance for Uncollectible Accounts	<u>(12,744)</u>	<u>(12,744)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 100,130</u>	<u>\$ 99,911</u>	<u>\$ 219</u>

Total receivables for sewer service increased slightly. The total of \$12,744 listed as the allowance for uncollectible accounts reflects an amount considered adequate for past due accounts referred for collection.

## Sewerage District No. 1 of Tangipahoa Parish

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2009

#### Capital Assets and Debt Administration

##### Capital Assets

At the end of the fiscal year ending December 31, 2009, Sewerage District No. 1 of Tangipahoa Parish had \$6,165,183 (net of accumulated depreciation) recorded in capital assets. The changes in capital assets are presented in the table below.

	December 31, 2009	December 31, 2008	Increase (Decrease)	Percentage Change
Capital Assets				
Land	\$ 305,086	\$ 267,586	\$ 37,500	14%
Buildings	2,135	2,135	-	0%
Machinery & Equipment	264,653	146,639	118,014	80%
Leasehold Improvements	7,900	-	7,900	100%
Sewer System	7,708,708	6,736,708	972,000	14%
Subtotal	8,288,482	7,153,068	1,135,414	16%
Less: Accumulated Depreciation	(2,123,299)	(1,884,122)	(239,177)	-13%
Net Capital Assets	<u>\$ 6,165,183</u>	<u>\$ 5,268,946</u>	<u>\$ 896,237</u>	17%

Equipment, furniture and fixtures are depreciated using useful lives of 5 to 10 years, and the sewer system uses a useful life of 20 to 50 years. All assets are depreciated under the straight-line method.

##### Long-Term Debt

The primary source of long-term financing for Sewerage District No. 1 of Tangipahoa Parish is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS), with one revenue bond of \$225,000 issued through a private lending institution in fiscal year 2005. Interim financing, pending completion of construction, is generally financed by private financial institutions, or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS and a private lending institution at December 31, 2009, range from 4.25% to 5.625%, with initial payment terms for bonds generally at 40 years.

Bonds financed for Sewerage District No. 1 of Tangipahoa Parish require a specific ratio (120%) of net revenues (before interest expense, depreciation, and other non-cash flow items) to debt service requirements (including bond installments, and required deposits for Reserve Fund & Depreciation and Contingency Fund). The actual ratio for the fiscal year ending December 31, 2009 was 283%, well exceeding the required ratio of 120%.

**Sewerage District No. 1 of Tangipahoa Parish**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2009**

**Future Economic Plans**

The District continues to grow to match population increases and commercial growth in Tangipahoa Parish. With this continued growth, the District must develop plans not only to meet the needs of its existing citizens but must continually plan for the future. In this process the District must continually review its financial structure to ensure a continuity of services, while reviewing options for financing capital projects that meet health and environmental standards and encourage planned development.

**Requests for Information**

This financial report is designed to provide a general overview of Sewerage District No. 1 of Tangipahoa Parish's finances and to demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 1541 Club Deluxe Road, Hammond, LA 70403. The phone number for the District is 985-542-8877.

## Financial Statements

**Sewerage District No. 1 of Tangipahoa Parish**  
**Comparative Balance Sheet**  
**As of December 31, 2009 and 2008**

**Statement A**

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 662,784	\$ 560,032
Receivables, Net :		
Accounts	100,130	99,911
Prepaid Insurance	8,972	10,499
Total Current Assets	<u>771,886</u>	<u>670,442</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	114,247	101,190
Total Restricted Assets	<u>114,247</u>	<u>101,190</u>
Property, Plant, and Equipment		
Land	305,086	267,586
Property, Plant and Equipment, Net	5,860,097	5,001,360
Total Property, Plant, and Equipment	<u>6,165,183</u>	<u>5,268,946</u>
<b>Total Assets</b>	<u>7,051,316</u>	<u>6,040,578</u>
<b>Liabilities</b>		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	11,190	19,164
Other Accrued Payables	15,549	23,662
Total Current Liabilities (Payable From Current Assets)	<u>26,739</u>	<u>42,826</u>
Current Liabilities (Payable From Restricted Assets):		
Accrued Interest	5,420	6,166
Revenue Bonds Payable	42,566	40,570
Capital Lease	9,582	-
Total Current Liabilities (Payable From Restricted Assets)	<u>57,568</u>	<u>46,736</u>
Long Term Liabilities:		
Bonds Payable	1,563,336	1,605,903
Capital Lease	33,079	-
Total Long Term Liabilities	<u>1,596,415</u>	<u>1,605,903</u>
<b>Total Liabilities</b>	<u>1,680,722</u>	<u>1,695,465</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	4,516,620	3,622,473
Restricted for:		
Capital Projects and Debt Service	114,247	101,190
Unrestricted	739,727	621,450
<b>Total Net Assets</b>	<u>\$ 5,370,594</u>	<u>\$ 4,345,113</u>



## Statement B

**Sewerage District No. 1 of Tangipahoa Parish**  
**Comparative Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the years ended December 31, 2009 and 2008**

	2009	2008
<b>Operating Revenues</b>		
Sewer Service Charges	\$ 1,241,684	\$ 1,148,920
Impact Fees	12,800	74,537
Connection Fees	42,232	54,597
Other	5,340	30,666
<b>Total Operating Revenues</b>	<u>1,302,056</u>	<u>1,308,720</u>
<b>Operating Expenses</b>		
Salaries and Wages	194,653	191,263
Employee Benefits	75,365	62,540
Billing Costs	34,671	37,906
Depreciation	239,177	230,733
Director's Expense	2,340	2,820
Engineering and Surveyor Fees	109,375	67,551
Insurance	38,182	30,191
Lift Station and Plant Maintenance	338,320	416,644
Other	10,740	8,404
Professional Fees	54,632	54,214
Rent	2,564	2,213
Repairs and Maintenance	20,234	9,185
Supplies	40,080	26,934
Vehicle Expenses	17,115	20,544
<b>Total Operating Expenses</b>	<u>1,177,448</u>	<u>1,161,142</u>
<b>Operating Income (Loss)</b>	<u>124,608</u>	<u>147,578</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest Income	7,220	6,890
Interest Expense	(78,347)	(81,282)
Loss on Disposal of Capital Assets	-	(8,500)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(71,127)</u>	<u>(82,892)</u>
<b>Income (Loss) Before Contributions</b>	<u>53,481</u>	<u>64,686</u>
<b>Contributions</b>		
Capital Contributions	972,000	400,010
<b>Change in Net Assets</b>	<u>1,025,481</u>	<u>464,696</u>
<b>Total Net Assets Beginning</b>	<u>4,345,113</u>	<u>3,880,417</u>
<b>Total Net Assets, Ending</b>	<u>\$ 5,370,594</u>	<u>\$ 4,345,113</u>

The accompanying notes are an integral part of this statement

## Statement C

Sewerage District No. 1 of Tangipahoa Parish  
 Comparative Statement of Cash Flows  
 Proprietary Fund Type  
 For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Cash Flows From Operating Activities</b>		
Received From Customers	\$ 1,296,497	\$ 1,249,601
Other Receipts	5,340	30,666
Payments for Operations	(682,813)	(725,793)
Payments to Employees	(270,018)	(253,803)
Net Cash Provided by Operating Activities	<u>349,006</u>	<u>300,671</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
(Payments for) Capital Acquisitions	(115,121)	-
Principal Proceeds from (Repayments for) Long Term Debt	(46,203)	(40,025)
Interest Payments for Long Term Debt	(79,093)	(81,367)
Net Cash (Used) by Capital and Related Financing Activities	<u>(240,417)</u>	<u>(121,392)</u>
<b>Cash Flows From Investing Activities</b>		
Receipt of Interest	7,220	6,890
Net Cash Provided by Investing Activities	<u>7,220</u>	<u>6,890</u>
<b>Net Cash Increase (Decrease) in Cash and Cash Equivalents</b>	115,809	186,169
<b>Cash and Cash Equivalents, Beginning of Year</b>	661,222	475,053
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 777,031</u>	<u>\$ 661,222</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:</b>		
Cash and Cash Equivalents, Unrestricted	\$ 662,784	\$ 560,032
Cash and Cash Equivalents, Restricted	114,247	101,190
Total Cash and Cash Equivalents	<u>\$ 777,031</u>	<u>\$ 661,222</u>

(Continued)

The accompanying notes are an integral part of this statement

## Statement C

Sewerage District No. 1 of Tangipahoa Parish  
 Comparative Statement of Cash Flows  
 Proprietary Fund Type  
 For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by</b>		
<b>Operating Activities</b>		
Operating Income (Loss)	\$ 124,608	\$ 147,578
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by		
Operating Activities:		
Depreciation	239,177	230,733
(Increase) decrease in Accounts Receivable	(219)	(28,453)
(Increase) decrease in Prepaid Insurance	1,527	926
Increase (decrease) in Accounts Payable	(7,974)	(41,411)
Increase (decrease) in Accrued Expenses	(8,113)	(8,702)
Net Cash Provided (Used) by Operating Activities	<u>\$ 349,006</u>	<u>\$ 300,671</u>

(Concluded)

The accompanying notes are an integral part of this statement

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

**Introduction**

In 1985, the Tangipahoa Parish Police Jury (now Tangipahoa Parish Council) voted to create a parish wide sewer district, in accordance with Louisiana Revised Statute 33:3811, thus creating the Sewer District No. 1 of Tangipahoa Parish. The Sewer District No. 1 of Tangipahoa Parish is governed by a board of commissioners consisting of five members. The board is appointed by the parish council and paid according to the number of meetings attended. The District encompasses all non-incorporated areas, with a few exclusions for some previously franchised areas of Tangipahoa Parish. At December 31, 2009, Sewerage District No. 1 of Tangipahoa Parish provided service to a total of 2,422 customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Sewerage District No. 1 of Tangipahoa Parish is considered a component unit of the Tangipahoa Parish Council.

**1. Summary of Significant Accounting Policies**

**A. Measurement Focus and Basis of Accounting and Financial Statement Presentation**

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds, and impact fees (administrative charges) for the cost of providing services to new and existing sewer systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**B. Cash and Cash Equivalents and Investments**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**C. Investments**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- When held the District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost
- There is no involuntary participation in an external investment pool.

The District does not have any investments at December 31, 2009.

**D. Inventories**

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

**E. Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

**F. Restricted Assets**

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

**G. Capital Assets**

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including sewer systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	7 Years
Machinery and Equipment	5 - 7 Years
Sewer System	24 - 40 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**H. Compensated Absences**

The District has the following policy related to vacation and sick leave:

Employees earn five days of paid vacation after working full-time for one year, ten days of paid vacation after working full-time for three years, and fifteen days of paid vacation after working full-time for ten years. Employees are not allowed to accumulate vacation leave, unless there is a business need. Overtime can be earned from the first day of employment.

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

GASB Statement No. 16 provides that a liability for sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. Accordingly, the District has not accrued liability for sick leave.

**I. Long-Term Obligations**

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**J. Net Assets**

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**K. Comparative Data/Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence.

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

**M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

At December 31, 2009, the District has cash and cash equivalents (book balances), as follows:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Interest Bearing Demand Deposits	\$ 777,031	\$ 661,222
	<u>\$ 777,031</u>	<u>\$ 661,222</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2009, the District had \$804,799 in deposits (collected bank balances) with the total deposits of \$804,799 consisting of demand deposits. These deposits are secured from risk by \$250,000 of federal deposit insurance and \$554,799 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.



**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

**3. Receivables**

The following is a summary of receivables at December 31, 2009 and 2008:

	Year Ended December 31, 2009	Year Ended December 31, 2008	Increase (Decrease)
Accounts Receivable			
Current	\$ 94,740	\$ 95,400	\$ (660)
31-60 Days Past Due	5,893	5,880	13
61-90 Days Past Due	2,321	2,316	5
Over 90 Days Past Due	9,920	9,059	861
Subtotal	112,874	112,655	219
Allowance for Uncollectible Accounts	(12,744)	(12,744)	-
Net Accounts Receivable	\$ 100,130	\$ 99,911	\$ 219

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The Board of Commissioners of Sewerage District No. 1 of Tangipahoa Parish established an allowance for uncollectible accounts based on past experience in customer collections. Periodically, the Board reviews the aging of receivables and determines the actual amounts uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

**4. Restricted Assets**

The following is a summary of restricted assets at December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
Restricted Cash and Cash Equivalents		
Bond Reserve Account	\$ 55,815	\$ 48,784
Bond Contingency Account	53,432	47,456
Construction Account	5,000	4,950
Total Restricted Assets	\$ 114,247	\$ 101,190

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

**5. Capital Assets**

A summary of changes in capital assets during the fiscal year ending December 31, 2009 is as follows:

	Beginning Balance 12/31/08	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance 12/31/09
Capital Assets				
Land	\$ 267,586	\$ 37,500	\$ -	\$ 305,086
Leasehold Improvements	-	7,900	-	7,900
Buildings	2,135	-	-	2,135
Machinery and Equipment	115,689	88,382	-	204,071
Vehicles	30,950	29,632	-	60,582
Sewer System	6,736,708	972,000	-	7,708,708
Total Capital Assets	7,153,068	1,135,414	-	8,288,482
Less Accumulated Depreciation	(1,884,122)	(239,177)	-	(2,123,299)
Total Capital Assets, Net	\$ 5,268,946	\$ 896,237	\$ -	\$ 6,165,183

Accumulated Depreciation increased by depreciation expense for the fiscal year ending December 31, 2009, totaled \$239,177. All assets are depreciated under the straight-line method.

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

**6. Accounts Payable and Accrued Liabilities**

	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 11,190	\$ 19,164	\$ (7,974)	-42%
Other Accrued Liabilities				
Other	1,223	-	1,223	100%
Payroll Taxes	2,869	3,857	(988)	-26%
Retirement	-	4,125	(4,125)	-100%
Vacation	8,489	13,546	(5,057)	-37%
Wages	2,968	2,134	834	39%
Total Other Accrued Liabilities	<u>15,549</u>	<u>23,662</u>	<u>(8,113)</u>	-34%
Total Accounts Payable and Accrued Liabilities	<u>\$ 26,739</u>	<u>\$ 42,826</u>	<u>\$ (16,087)</u>	-38%

**7. Retirement**

*Plan Description:* Substantially all full-time employees of Sewerage District No. 1 of Tangipahoa Parish are members of the Parochial Employees' Retirement System of Louisiana (System), a multi-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least ten years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to three percent of their final-average salary for each year of creditable service. However, for these employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24.00 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by the state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-47619, or by calling (225) 928-1361.

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

*Funding Policy.* Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 12.25 percent of annual covered payroll. Contributions to the System include one-fourth (1/4) of one (1%) percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contribution to the System under Plan A for the year ending December 31, 2009 was \$20,831 with the amount of employer's contribution included within the employee benefits category.

**8. Long-Term Obligations**

The following is a summary of long-term obligation transactions for the year ended December 31, 2009:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
Sewer Revenue Bonds 92-01	\$ 618,189	\$ -	\$ (12,338)	\$ 605,851	\$ 13,050
Sewer Revenue Bonds 92-02	56,281	-	(1,140)	55,141	1,206
Sewer Revenue Bonds 92-03	689,264	-	(8,880)	680,385	9,265
Sewer Revenue Bonds 92-05	108,666	-	(1,401)	107,265	1,461
Sewer Revenue Bonds Series 2005	174,073	-	(16,812)	157,260	17,584
Capital Lease - Kubota Excavator	-	48,293	(5,632)	42,661	9,582
Total Long-Term Debt	<u>\$ 1,646,473</u>	<u>\$ 48,293</u>	<u>\$ (46,203)</u>	<u>\$ 1,648,563</u>	<u>\$ 52,148</u>

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

Bonds Payable as of December 31, 2009 and 2008 is as follows:

		<u>December 31, 2009</u>	<u>December 31, 2008</u>
Revenue Bond	\$ 733,000 Sewer System - Rural Utility Services 92-01, Sewer revenue bonds sold to Rural Utilities Service, U.S. Dept of Agriculture. Dated 3/3/1993 due in monthly installments of principal and interest of \$ 3,900 through 4/3/2033 , interest at 5.625%.	\$ 605,851	\$ 618,189
Revenue Bond	\$ 67,000 Sewer System - Rural Utility Services 92-02 Sewer revenue bonds sold to Rural Utilities Service, U.S. Dept of Agriculture. Dated 3/3/1993 due in monthly installments of principal and interest of \$ 356 through 4/3/2033 , interest at 5.625%.	55,141	56,281
Revenue Bond	\$ 723,000 Sewer System - Rural Utility Services 92-03 Sewer revenue bonds sold to Rural Utilities Service, U.S. Dept of Agriculture. Dated 9/25/2003 due in monthly installments of principal and interest of \$ 3,167 through 10/25/2043 , interest at 4.25%.	680,385	689,264
Revenue Bond	\$ 114,000 Sewer System - Rural Utility Services 92-05 Sewer revenue bonds sold to Rural Utilities Service, U.S. Dept of Agriculture. Dated 9/25/2003 due in monthly installments of principal and interest of \$ 499 through 10/25/2043 , interest at 4.25%.	107,265	108,666
Revenue Bond	\$ 225,000 Sewer System - Iberia Bank Series 2005 Dated 3/23/2005 due in monthly installments of principal and interest of \$ 2,025 through 8/1/2017 , interest at 4.25%.	157,260	174,073
Capital Lease	\$ 48,293 Kubota Excavator, collateralized by equipment Dated 12/7/2009 due in monthly installments of principal and interest of \$ 1,054 through 12/7/2013 , interest at 7.69%.	42,661	-
		<u>\$ 1,648,563</u>	<u>\$ 1,646,473</u>

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

The annual requirements to amortize all bonded debt outstanding as of December 31, 2009, including interest payments of \$1,217,836 are as follows:

Year Ending 12/31/09	Sewer Revenue Bonds 92-01 \$ 733,000	Sewer Revenue Bonds 92- 02 \$ 67,000	Sewer Revenue Bonds 92- 03 \$ 723,000	Sewer Revenue Bonds 92-04 \$ 114,000	Sewer Revenue Bonds Series 2005 \$ 225,000	Total
2010	\$ 46,795	\$ 4,277	\$ 38,001	\$ 5,992	\$ 24,300	\$ 119,365
2011	46,795	4,277	38,001	5,992	24,300	119,365
2012	46,795	4,277	38,001	5,992	24,300	119,365
2013	46,795	4,277	38,001	5,992	24,300	119,365
2014	46,795	4,277	38,001	5,992	24,300	119,365
2015 to 2019	233,974	21,386	190,004	29,959	64,800	540,123
2020 to 2024	233,974	21,386	190,004	29,959	-	475,323
2025 to 2029	233,974	21,386	190,004	29,959	-	475,323
2030 to 2034	155,982	14,258	190,004	29,959	-	390,203
2035 to 2039	-	-	190,004	29,959	-	219,963
2040 to 2043	-	-	145,670	22,969	-	168,639
	<u>\$ 1,091,879</u>	<u>\$ 99,801</u>	<u>\$ 1,285,695</u>	<u>\$ 202,724</u>	<u>\$ 186,300</u>	<u>\$ 2,866,399</u>

A capital lease with Star Equipment for a leased excavator had the following annual payment requirements as of December 31, 2009, including interest payments of \$6,881.

Year Ending 12/31/09	Capital Lease \$ 48,293
2010	\$ 12,649
2011	12,649
2012	12,649
2013	11,595
	<u>\$ 49,542</u>

**9. Sewer Revenue Bond Resolution Covenants**

As of December 31, 2009, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana (District), has four Revenue Bonds financed by USDA Rural Development, and one bond issued by a private lending institution. The original principal amounts of the four bond issues through Rural Development total \$1,637,000 and consist of two bonds issued on March 3, 1993, for \$733,000 and \$67,000, both issued at an annual interest rate of 5.625%, and two bonds issued on September 25, 2003, for \$723,000 and \$114,000 at an annual rate of 4.25%. Each of the bonds financed by Rural Development is a parity obligation, and the bond issue through a private lending institution of \$225,000 of Sewer Revenue bonds,

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

Series 2005, dated March 23, 2005, with an annual interest rate of 4.25%, was also issued in parity with existing bond obligations. The resolution authorizing the issuance of the Sewer Revenue Bonds, Series 2005, in the amount of \$225,000 acknowledges that the issuance of such bonds on a parity with the "Outstanding Parity Bonds", with IBERIA BANK of Lafayette, Louisiana purchasing these bonds. The new bond resolution, covering all the bonds, specifies that the bonds shall be secured and payable in principal and interest exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system. Other specific legal requirements and bond restrictions are summarized below:

- a) Provide that all income and revenues derived by the issuer from the operation of the system shall be deposited in a separate and special bank account (the "Sewer Fund") with the regularly designated fiscal agent bank of the issuer.
- b) The issuer, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, covenants to fix, establish, and maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the System, at least equal to 120% of the largest amount of principal and interest maturing on the bonds in any future fiscal year and on any parity bonds issued thereafter.

For the fiscal year ending December 31, 2009, net revenues to bond deposit requirements was 283%, exceeding the required ratio of 120%. The improved ratio was due to a rate increase enacted at the beginning of fiscal year 2009, and collection of administrative charges to offset the cost of bringing new and existing donated sewer systems up to health department and environmental standards.

- c) The establishment and maintenance of a "Sewer Bond and Interest Sinking Fund" (the "Sinking Fund") sufficient in amount to pay promptly and fully the principal and interest on the bonds.

The required monthly payments for the principal and interest on the bonds are due on the 20<sup>th</sup> day of each month as follows:

01/20/2008 through 08/20/2017	\$9,947.08
09/20/2017 through 04/20/2033	\$7,922.06
05/20/2033 through 10/20/2043	\$3,666.06

The actual creation of a sinking fund was not required since the District pays required bond installments directly to Rural Utilities Service/IBERIABANK on a monthly basis.

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

- d) The establishment of the "Sewer Revenue Bond Reserve Fund" (the "Reserve Fund") by transferring from the Sewer Fund, the operating account of the District, monthly in advance on or before the 20<sup>th</sup> of each month a sum at least equal to five per cent (5%) of the amount to be paid each month for bond principal and interest payments. Required amounts to be transferred monthly to the "Reserve Fund" are:

09/20/2005 through 08/20/2017

A sum of \$498 per month must be deposited monthly until \$119,364.96 has been accumulated therein.

09/20/2017 through 02/20/2033

If sum accumulated in Reserve Fund exceeds \$95,064.72, then funds on deposit can be decreased to \$95,064.72; but if sum accumulated therein has not reached \$95,064.72, then monthly payments of \$397 until said sum is accumulated.

03/20/2033 through 08/20/2043

In April 2032, the funds on deposit in the Reserve Fund are to be reduced to \$43,992.72.

The money in the Reserve Fund is required to be retained solely for the purpose of paying the principal and interest on bonds payable, upon approval by the Rural Utilities Service/IBERIABANK, for which there would otherwise be default.

The actual Reserve Fund account balance at December 31, 2009, was \$55,815 and was fully funded at fiscal year end.

- e) The establishment and maintenance of the "Sewer Depreciation and Contingency Fund" (the "Contingency Fund") is to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the System, by transferring from the Sewer Fund, the operating account of the District, monthly in advance on or before the 20<sup>th</sup> of each month the following amounts as indicated:

09/20/2005 through 08/20/2017

Monthly payments of \$498 per month until \$119,364.96 is on deposit in the Reserve Fund, and the monthly payments then increase to \$783.

09/20/2017 through 02/20/2033

In September, 2017, monthly payments decrease to \$397 if sum on deposit in Reserve Fund is less than \$95,064.72, or if and when sum on deposit reaches \$95,064.72, then monthly payments of \$580 are required.

03/20/33 through 08/20/2043

In March 2033, monthly payments decrease to \$367.

Money in the Contingency Fund may also be used, upon approval, to pay the principal and interest on any bond for which there is not sufficient money in the Sinking Fund or the Reserve Fund.

The actual Contingency Fund balance at December 31, 2009, was \$53,432 and was fully funded at fiscal year end.



**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

- f) The District, in the bond resolutions dated May 12, 2003, (amended August 18, 2003), and February 9, 2005, also obligated itself to abide by the following covenants:
1. The District will shut off service if the delinquent charge, with interest and penalties accrued thereon, is not paid within thirty days from the date on which such charges become delinquent.
  2. A penalty of 10% will be charged on all delinquent accounts, and interest of not less than 5% per annum will be charged on delinquent accounts after 10 days from the date of delinquency.
  3. The District agrees to maintain the System in first class repair and working order and condition.
  4. The District will carry full insurance coverage on the System in the manner required by the Government, with a company licensed to do business under the laws of Louisiana.
  5. The District will maintain separate and correct records and accounts, and will have the books audited no later than six months after the close of each fiscal year.
  6. The District will not sell, lease or in any manner dispose of the System or any substantial part thereof, provided the District may dispose of property that in its judgment is worn-out, unserviceable, unsuitable, or unnecessary in the operation of the System.
  7. The District will not, except as provided by these bonds resolutions, voluntarily create or cause to be created any debt, lien pledge, mortgage, assignment, or any other charges having priority or parity with the liens of the Bonds upon the income and revenues of the System pledged as security thereof.
  8. That, to the extent permitted by law, the District will not grant a franchise to any sewer utility for operation within the boundaries of the District.
  9. In operation of the System, the District will require all officers and employees in a position of authority or in possession of money derived from operations of the System to be covered by a blanket fidelity bond or faithful performance bond.
  10. That the District will take all action necessary to require connection to its sewer system to the extent permitted by law.
  11. No free service or facilities will be furnished to any persons.

On October 29, 2001, USDA agreed in writing that as long as the District is not in default in the payment of principal and interest on the bonds that:

- (i) the period within which the District will cause service to be shut off from the date of delinquency is extended from 30 days to 90 days;
- (ii) the penalty on such delinquent charges is reduced from 10% to 5%; and
- (iii) it is not necessary that interest be charged on the delinquent account.

The District has requested written notification from the USDA that this waiver continues to apply.

**Sewerage District No. 1 of Tangipahoa Parish**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

During the fiscal year ended December 31, 2009, the District was in substantial compliance with bond covenants noted on the previous page.

**10. Restricted and Designated Net Assets**

At December 31, 2009, Sewerage District No. 1 of Tangipahoa Parish recorded \$114,247 in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

**11. Litigation**

There is no outstanding litigation at December 31, 2009 for which there would be a probable settlement against the District.

## Supplemental Information

## Schedule 1

**Sewerage District No. 1 of Tangipahoa Parish**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2009**  
**With comparative amounts for the year ended December 31, 2008**

	<u>2009</u> <u>Budget</u>	<u>2009</u> <u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2008</u> <u>Actual</u>
<b>Operating Revenues</b>				
Sewer Service Charges	\$ 1,011,432	\$ 1,241,684	\$ 230,252	\$ 1,148,920
Impact Fees	80,000	12,800	(67,200)	74,537
Connection Fees	65,000	42,232	(22,768)	54,597
Other	20,000	5,340	(14,660)	30,666
<b>Total Operating Revenues</b>	<u>1,176,432</u>	<u>1,302,056</u>	<u>125,624</u>	<u>1,308,720</u>
<b>Operating Expenses</b>				
Salaries and Wages	184,000	194,653	(10,653)	191,263
Employee Benefits	69,300	75,365	(6,065)	62,540
Billing Costs	-	34,671	(34,671)	37,906
Depreciation	197,500	239,177	(41,677)	230,733
Director's Expense	2,900	2,340	560	2,820
Engineering and Surveyor Fees	78,700	109,375	(30,675)	67,551
Insurance	31,400	38,182	(6,782)	30,191
Lift Station and Plant Maintenance	415,750	338,320	77,430	416,644
Other	11,450	10,740	710	8,404
Professional Fees	57,000	54,632	2,368	54,214
Rent	1,825	2,564	(739)	2,213
Repairs and Maintenance	10,700	20,234	(9,534)	9,185
Supplies	24,000	40,080	(16,080)	26,934
Vehicle Expenses	32,900	17,115	15,785	20,544
<b>Total Operating Expenses</b>	<u>1,117,425</u>	<u>1,177,448</u>	<u>(60,023)</u>	<u>1,161,142</u>
<b>Operating Income (Loss)</b>	<u>59,007</u>	<u>124,608</u>	<u>65,601</u>	<u>147,578</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income	20,000	7,220	(12,780)	6,890
Interest Expense	(78,750)	(78,347)	403	(81,282)
Loss on Disposal of Capital Assets	-	-	-	(8,500)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(58,750)</u>	<u>(71,127)</u>	<u>(12,377)</u>	<u>(82,892)</u>
<b>Income (Loss) Before Contributions</b>	<u>257</u>	<u>53,481</u>	<u>53,224</u>	<u>64,686</u>
<b>Contributions and Transfers</b>				
Capital Contributions	-	972,000	972,000	400,010
<b>Change in Net Assets</b>	<u>257</u>	<u>1,025,481</u>	<u>1,025,224</u>	<u>464,696</u>
<b>Total Net Assets, Beginning</b>	<u>4,345,113</u>	<u>4,345,113</u>	<u>-</u>	<u>3,880,417</u>
<b>Total Net Assets, Ending</b>	<u>\$ 4,345,370</u>	<u>\$ 5,370,594</u>	<u>\$ 1,025,224</u>	<u>\$ 4,345,113</u>

See independent auditor's report.

## Schedule 2

**Sewerage District No. 1 of Tangipahoa Parish**  
**Schedule of Compensation Paid to Board Members**  
**For the year ended December 31, 2009**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
George Peltier, President (985) 543-4175	15481 Club Deluxe Road Hammond, LA 70403	\$ 720	3/31/12
Sonny Thompson, Vice President (985) 542-3445	40232 Adams Road Hammond, LA 70466	540	3/31/12
Louis Ruffino, Secretary (985) 542-6143	47263 Milton Road Tickfaw, LA 70466	420	3/31/11
Mark Mobley (985) 386-2000	P.O. Box 402 Ponchatoula, LA 70454	660	3/31/14
		<u>\$ 2,340</u>	

See independent auditor's report.

## Schedule 3

**Sewerage District No. 1 of Tangipahoa Parish**  
**Schedule of Insurance**  
**For the year ended December 31, 2009**

<u>Insurance Company /</u> <u>Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
American Alternative Insurance Corporation SD-IS-SP 9153680-2/0	Employee Dishonesty	\$ 100,000	12/11/2009 to 12/11/2010
	Commercial General Liability		
	Aggregate Policy Limit:	3,000,000	
	Per Occurance	1,000,000	
	Personal Injury & Products Liability	1,000,000	
LUBA Casualty Insurance Company 02800001 4562107	Workers Compensation at Statutory Limitations:		2/27/2009 to 2/27/2010
	Employers Liability	1,000,000	
State Farm Insurance	Auto Liability	300,000	2/1/2009 2/1/2010

See independent auditor's report.

**Schedule 4**

**Sewerage District No. 1 of Tangipahoa Parish  
Schedule of Sewer Rates  
For the year ended December 31, 2009**

<b>Sewer</b>	
<b>Residential Rates</b>	<b>Commercial Rates</b>
\$ 32.25 - Flat Rate per Household	SC1 \$ 46.88 - Base Rate Minimum \$ 2.69 - Per 1,000 Gallons SC2 \$ 46.88 - Base Rate Minimum \$ 5.36 - Per 1,000 Gallons

The above schedule reflects the District's base rates. Rates may vary, in particular for commercial entities, based on engineering analysis of service costs.

As of December 31, 2009 and 2008, the District had the following number of customers:

	<b>December 31, 2009</b>	<b>December 31, 2008</b>	<b>Increase (Decrease)</b>
Customers			
Residential	2,384	2,341	43
Commercial	38	39	(1)
<b>Total Customers</b>	<b>2,422</b>	<b>2,380</b>	<b>42</b>

See independent auditor's report.

**Summary Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2009**

**Section I - Internal Control and Compliance Material to the Financial Statements**

No findings for Section I.

**Section II - Internal Control and Compliance Material to Federal Awards**

No Findings for Section II.

**Section III - Management Letter**

**Reference Number: 2006-M2 (Payments Due the Tangipahoa Parish Council)**

**Year Initial Finding Occurred: Fiscal year ending December 31, 2006**

**Description of Finding:**

This prior year finding noted that accounting and reporting for Sewer District operations prior to fiscal year 2006 was by the Tangipahoa Parish Council and that the Council continued to pay some of the expenses of the District as responsibility for accounting and reporting was transferred to the Sewer District in 2007.

At the end of 2007, we recommended that the Sewer District meet with management of the Parish Council, and if necessary with Entergy representatives, to determine the actual amounts for Entergy invoices and any other billings for which the Parish Council has documentation, and to pay for the amounts actually due the Council.

During 2008, the District conducted an extensive review of all potential unresolved expenses incurred by the Tangipahoa Parish Government on behalf of the Sewer District to attempt to quantify and compensate the Parish for those amounts. In a letter dated May 27, 2008, sent by the District to the Parish, the District detailed an eight point documentation request listing to substantiate the Parish's request for \$35,484 in reimbursement of expenses as stated in a letter from the Parish dated April 15, 2008. As of the date of this report, the District has paid \$8,109 for auto insurance and \$178 for telephone expenses related to this amount. The remaining expenses are still not considered settled and the District has not received further correspondence from the Parish in regards to the supporting documents requested to resolve the potential remaining amounts. No liability for these amounts has been recorded.

**Corrective Action Planned (Response by Management):**

If the remaining requested supporting documentation is received and correlates with the District's payment records, then the District will proceed to reimburse the Parish.

**Corrective Action Taken: Partial.**

**Corrective Action Taken:**

Corrective action taken remains as "partial" until all amounts owed the Parish Council are cleared.



**Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 2009**

**Section I - Internal Control and Compliance Material to the Financial Statements**

No findings for Section I.

**Section II - Internal Control and Compliance Material to Federal Awards**

No findings for Section II.

**Section III - Management Letter**

No findings for Section III.

Bruce C. Harrell, CPA

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Eric J. Rodrigue, CPA  
Kristi Begeron, CPA

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To Board of Commissioners  
Sewerage District No. 1 of Tangipahoa Parish  
Tangipahoa Parish Council  
Hammond, Louisiana

We have audited the basic financial statements of the Sewerage District No. 1 of Tangipahoa Parish, as of and for the year ended December 31, 2009, and have issued our report thereon dated May 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Sewerage District No. 1 of Tangipahoa Parish's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Sewerage District No. 1 of Tangipahoa Parish's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

To the Board of Commissioners  
Sewerage District No. 1 of Tangipahoa Parish  
Tangipahoa Parish Council  
Hammond, Louisiana  
Page 2

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control reporting that we consider to be material weaknesses, as defined above. However, we have included a management recommendation that will improve the controls over financial reporting as Finding No. 2006-M2, within the *Summary Schedule of Prior Year Audit Findings*.

This report is intended for the information of management, the Board of Commissioners of the District, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

May 19, 2010